

Message Text

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ACTION ARA-14

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FM AMEMBASSY PARAMARIBO
TO SECSTATE WASHDC 3441
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AMEMBASSY THE HAGUE
AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L PARAMARIBO 0559

E. O. 11652; GDS
TAGS; ECON, EAID, NS, NL
SUBJECT; DEVELOPMENT PROGRESS IN SURINAM SLOW

SUMMARY: IN SPITE OF LARGE SUMS OF DUTCH ECONOMIC ASSISTANCE AVAILABLE TO SURINAM, DEVELOPMENT IS IN FACT PROCEEDING AT ONLY A SNAIL'S PACE WHILE STRUCTURAL PROBLEMS INCLUDING LABOR SHORTAGES IN THE MIDST OF EXTENSIVE UNEMPLOYMENT AND UNDER-EMPLOYMENT, INFLATION AND PRICE GOUGING, AND INADEQUATE ADMINISTRATIVE CAPABILITIES CONTINUE TO PLAGUE THE BEST EFFORTS OF A GOVERNMENT WHICH AT LEAST VERBALLY ESPOUSES DEVELOPMENT AS ONE OF ITS MAJOR GOALS.

1. A SPATE OF CRITICISM OF SURINAM'S DEVELOPMENT EFFORTS FROM DUTCH OFFICIALS, INCLUDING DEVELOPMENT COOPERATION MINISTER PRONK AND CHAIRMAN VAN DAM OF THE DUTCH HALF OF THE JOINT DEVELOPMENT COOPERATION COMMITTEE, HAVE HIGHLIGHTED THE STAGNATION WHICH PRESENTLY CHARACTERIZES SURINAM'S DEVELOPMENT ACTIVITIES. PRONK IS REPORTED IN THE LOCAL PRESS TO HAVE CALLED SURINAM'S DEVELOPMENT "SLUGGISH AND CAUSING MUCH WORRY, WHILE VAN DAM HAS EMPHASIZED THAT NECESSARY POLITICAL AND ADMINISTRATIVE

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DECISIONS REQUIRED FOR THE EFFICIENT EXECUTION OF PROJECTS ARE NOT BEING TAKEN.

2. A BRIEF SURVEY OF THE DEVELOPMENT SCENE CONFIRMS THAT FEW MAJOR PROJECTS IN THE PRODUCTIVE SECTOR (FOR WHICH 50 PERCENT OF THE NETHERLANDS DEVELOPMENT ASSISTANCE IS RESERVED) HAVE BEEN APPROVED AND ARE BEING EXECUTED. A

PARTIAL EXCEPTION IS THE AGRICULTURAL DEVELOPMENT PLAN FOR COMMEWIJNE DISTRICT, PARTS OF WHICH ARE UNDERWAY, ALBEIT WITH SOME DIFFICULTIES. THE ONE MAJOR PROJECT WHICH IS PROGRESSING ON SCHEDULE IS THE BUILDING OF A RAILROAD IN WEST SURINAM TO CARRY BAUXITE FROM THE BAKHUYS MOUNTAINS TO APOERA, WHICH WHEN COMPLETED IN EARLY 1979, HOWEVER, MAY FIND ITSELF WITH OUT ANY CARGO TO HAUL. IN ADDITION, THE KABALEBO HYDROELECTRIC PROJECT WHICH IS CLOSELY RELATED TO THE DEVELOPMENT OF THE INVOLVED AREA HAS BEEN SERIOUSLY DELAYED WITH THE GOS HAVING FAILED SO FAR TO COME UP WITH THE NECESSARY FINANCING TO SUPPLEMENT THE NETHERLANDS FUNDS WHICH ARE TO BE MADE AVAILABLE.

4. SURINAM'S BASIC PROBLEM IS NOT FINANCING, HOWEVER; EVEN PRIME MINISTER ARRON HAS BEGUN TO ECHO THIS THEME PUBLICLY, AND HIS SOLUTION FOR IMPROVING PERFORMANCE SEEMS TO BE A CALL FOR HARDER WORK ON THE PART OF ALL SURINAMERS. SO FAR HIS SUMMONS SEEMS TO HAVE FALLEN ON THE DEAF EARS OF A POPULATION--ONE-THIRD OF WHICH (THE HINDUSTANIS) IS EXCLUDED FROM THE CORRIDORS OF POWER--WHICH IS SEEKING A CUT OF THE VAST SUMS OF MONEY (FOR SURINAM) WHICH CAN BE HAD FROM THE DUTCH (ABOUT \$1.5 BILLION BETWEEN NOW AND 1990). UNIONS THINK NOTHING OF DEMANDING INCREASES OF 35 PER CENT PLUS A WHOLE HOST OF FRINGE BENEFITS INCLUDING VACATION BONUSES, SPECIAL ALLOWANCES, AND LUCRATIVE PENSION PLANS, ALTHOUGH THEY USUALLY SETTLE FOR SOMETHING UNDER A TEN PER CENT WAGE INCREASE. AT THE SAME TIME, AN INEFFICIENT BUSINESS COMMUNITY OF SMALL SHOPKEEPERS AND INDEPENDENT ENTREPRENEURS CONTINUES TO RAISE PRICES ALMOST AT WILL, HELD IN CHECK ONLY ON THOSE

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ITEMS WHOSE DISTRIBUTION AND PRICES ARE SUBJECT TO GOS CONTROL, WHILE GENERAL INFLATION RESULTS IN AN ANNUAL INCREASE IN THE COST OF LIVING OF ABOUT 15 PER CENT.

5. IN THE AGRICULTURAL SECTOR IN PARTICULAR, LABOR SHORTAGES ARE A CONTINUING PROBLEM WHICH PROBABLY ONLY MECHANIZATION CAN ALLEVIATE. IN THE ONE CROP WHICH IS HIGHLY MECHANIZED, RICE, SURINAM IS A NET EXPORTER WHILE PRODUCING AMPLE QUANTITIES AT A REASONABLE PRICE (14-20 U.S. CENTS PER POUND) FOR ITS OWN POPULATION. BUT IN SUGAR AND BANANAS, LACK OF MANPOWER IN THE FIELDS IS THE BIGGEST OBSTACLE TO INCREASED PRODUCTION AND HAS LED THE GOS TO APPROVE THE IMPORT OF GUYANESE AND HAITIAN LABORERS, AMONG OTHERS, IN AN EFFORT TO STAY IN BUSINESS. THIS WHILE UNEMPLOYMENT IN SURINAM IS ESTIMATED AT ABOUT 20 PER CENT OF THE WORKING FORCE AND WHILE NEARLY ONE OF EVERY THREE WORKING SURINAMERS IS ON THE GOS PAYROLL.

6. PROFESSOR VAN DAM SEES THREE PROBLEMS AS REQUIRING

PROMPT GOVERNMENT ACTION TO BRING ABOUT AN IMPROVEMENT IN THE ECONOMY: (A) INADEQUATE PUBLIC HOUSING; (B) IN SUFFICIENT CREDIT FACILITIES FOR SMALL BUSINESS AND INDIVIDUALS; AND(D) WANTON SPENDING FOR LUXURY IMPORTS. WHILE THE GOS COULD TAKE IMPORTANT STEPS IN THE FIRST TWO AREAS, IT IS DOUBTFUL WHETHER ANY EFFECTIVE MEASURES WOULD BE TAKEN IN THE AREA OF IMPORTS WHICH COMPRISE NEARLY HALF OF THE AVERAGE SURINAMER'S CONSUMPTION, JUST BEFORE ELECTIONS.

7. WHAT IS DESPERATELY NEEDED IN SURINAM IS AN IMPROVEMENT IN THE GOVERNMENT'S PLANNING CAPACITY AND ITS ADMINISTRATIVE CAPABILITIES IN ORDER TO GET MAXIMUM USE OF THE ABUNDANT RESOURCES THEORETICALLY AVAILABLE TO IT. AS OF NOW, QUALIFIED STAFFS ARE INADEQUATE AND THE WIDE DISPERSION OF RESPONSIBILITY AMONG MINISTRIES WITH OVERLAPPING

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JURISDICTIONS PREVENTS THE GOS FROM TAKING DECISIONS IN A TIMELY AND EFFICIENT MANNER.

8. WHETHER ANYONE ELSE AT THE CONTROLS COULD PLAN DEVELOPMENT AND RUN SURINAM'S ECONOMY ANY BETTER THAN THE PRESENT CREOLE-DOMINATED GOVERNING COMBINATION IS UNCLEAR. DISSATISFACTION WITH ARRON GOVERNMENT'S ECONOMIC PERFORMANCE MAY BE OUTWEIGHED BY ETHNIC LOYALTIES AND THE IMMEDIATE GRATIFICATION WHICH MANY SURINAMERS ARE STILL ABLE TO OBTAIN AS BAUXITE REVENUES AND DUTCH AID CONTINUE TO LINE THE GOVERNMENT COFFERS. BUT ECONOMIC CONDITIONS IN SURINAM ARE SUCH THAT WHATEVER GOVERNMENT TAKES OFFICE AFTER THE ELECTIONS LATER THIS YEAR WILL HAVE TO FACE SOME HARD CHOICES ON THE DIRECTION AND EMPHASIS OF SURINAM'S ECONOMIC DEVELOPMENT.

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